

EASTER SEALS
SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

EASTER SEALS SOUTHWEST FLORIDA, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2015

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Easter Seals Southwest Florida, Inc.
Sarasota, Florida**

We have audited the accompanying financial statements of Easter Seals Southwest Florida, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Southwest Florida, Inc. as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

December 10, 2015
Bradenton, Florida

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31,

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 54,161	\$ 2,750
Cash restricted	52,816	80,211
Investments	164,531	189,584
Interest in net assets of Foundation	5,717,054	6,755,390
Accounts receivable, net	118,874	142,833
Prepaid expenses	62,230	49,101
Deposits	4,692	4,692
Remainder trusts receivable	252,121	247,555
Property, plant and equipment, net	<u>1,346,402</u>	<u>1,310,986</u>
TOTAL ASSETS	<u>\$ 7,772,881</u>	<u>\$ 8,783,102</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 58,297	\$ 45,327
Other accrued expenses	116,011	104,157
Due to Foundation	-	51,500
Deferred revenue	36,219	176
Deferred revenue-pooled income fund	<u>9,816</u>	<u>10,856</u>
Total Liabilities	220,343	212,016
Net Assets		
Unrestricted	1,325,206	1,306,274
Temporarily restricted	374,557	351,132
Permanently restricted	<u>5,852,775</u>	<u>6,913,680</u>
Total Net Assets	<u>7,552,538</u>	<u>8,571,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,772,881</u>	<u>\$ 8,783,102</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 517,001	\$ 50,230	\$ -	\$ 567,231
Bequests and trusts	365,814	-	-	365,814
Special events	82,915	-	-	82,915
Less: Special events direct (expenses)	(13,524)	-	-	(13,524)
Total Public Support	952,206	50,230	-	1,002,436
Program Revenue	1,979,126	-	-	1,979,126
Other Revenue:				
Contributions from Foundation	608,961	-	-	608,961
Investment income (loss)	(5,109)	-	-	(5,109)
Change in value of split interest agreement	-	5,605	-	5,605
Gain (Loss) on disposal of assets	650	-	-	650
Other income	930	-	-	930
Total Other Revenue	605,432	5,605	-	611,037
Total Public Support and Revenue	3,536,764	55,835	-	3,592,599
Reclassifications:				
Net assets released from restrictions	54,979	(32,410)	(22,569)	-
Total Public Support, Revenue and Reclassification	3,591,743	23,425	(22,569)	3,592,599
Expenses:				
Program services	3,166,128	-	-	3,166,128
Fundraising	236,662	-	-	236,662
Management and General	133,505	-	-	133,505
	3,536,295	-	-	3,536,295
Payments to Easter Seals National	36,516	-	-	36,516
Total Expenses	3,572,811	-	-	3,572,811
Change in net assets before adjustment for interest in Foundation	18,932	23,425	(22,569)	19,788
Adjustment for change in interest in net assets of Foundation	-	-	(1,038,336)	(1,038,336)
Increase (decrease) in net assets	18,932	23,425	(1,060,905)	(1,018,548)
Net assets at beginning of year	1,306,274	351,132	6,913,680	8,571,086
Net assets at end of year	\$ 1,325,206	\$ 374,557	\$ 5,852,775	\$ 7,552,538

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 287,312	\$ -	\$ -	\$ 287,312
Bequests and trusts	-	-	-	-
Special events	61,548	-	-	61,548
Less: Special events direct (expenses)	(33,994)	-	-	(33,994)
Total Public Support	314,866	-	-	314,866
Program Revenue	1,804,160	-	-	1,804,160
Other Revenue:				
Contributions from Foundation	990,334	-	-	990,334
Investment income (loss)	20,604	-	-	20,604
Change in value of split interest agreement	-	7,384	-	7,384
Gain (Loss) on disposal of assets	1,800	-	-	1,800
Other income	13,057	-	-	13,057
Total Other Revenue	1,025,795	7,384	-	1,033,179
Total Public Support and Revenue	3,144,821	7,384	-	3,152,205
Reclassifications:				
Net assets released from restrictions	3,346	-	(3,346)	-
Total Public Support, Revenue and Reclassification	3,148,167	7,384	(3,346)	3,152,205
Expenses:				
Program services	2,908,037	-	-	2,908,037
Fundraising	198,278	-	-	198,278
Management and General	102,334	-	-	102,334
	3,208,649	-	-	3,208,649
Payments to Easter Seals National	35,653	-	-	35,653
Total Expenses	3,244,302	-	-	3,244,302
Change in net assets before adjustment for interest in Foundation	(96,135)	7,384	(3,346)	(92,097)
Adjustment for change in interest in net assets of Foundation	-	-	(305,541)	(305,541)
Increase (decrease) in net assets	(96,135)	7,384	(308,887)	(397,638)
Net assets at beginning of year	1,402,409	343,748	7,222,567	8,968,724
Net assets at end of year	\$ 1,306,274	\$ 351,132	\$ 6,913,680	\$ 8,571,086

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	RESPIRE SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 930,989	\$ 383,771	\$ 100,109	\$ 471,455
Benefits	165,308	56,148	17,674	77,751
Payroll taxes	75,098	29,857	8,910	38,684
Total personnel expenses	1,171,395	469,776	126,693	587,890
Advertising	362	62	16	75
Bad Debts	9,661	3,984	1,054	4,876
Contract labor	-	-	-	-
Dues and subscriptions	3,743	3,324	479	2,090
Equipment expense	1,026	45	124	1,145
Inkind expense	66,360	2,342	2,136	7,807
Insurance	24,190	600	159	734
License, fees and taxes	3,425	1,465	335	1,652
Office expense	12	438	-	180
Other expenses	9,289	1,605	402	1,197
Professional fees	12,336	21,286	1,059	9,842
Properties	156,307	28,857	14,428	69,737
Repairs and maintenance	10,065	-	-	-
Supplies	28,141	5,230	4,750	68,955
Telephone	10,397	2,888	336	702
Transportation	25,788	-	-	814
Travel and Training	5,609	11,000	1,201	1,983
Total non-personnel expenses	366,711	83,126	26,479	171,789
Total expenses before depreciation	1,538,106	552,902	153,172	759,679
Depreciation expense	109,437	33,963	5,661	13,208
TOTAL EXPENSES	<u>\$ 1,647,543</u>	<u>\$ 586,865</u>	<u>\$ 158,833</u>	<u>\$ 772,887</u>

SUPPORTING SERVICES

<u>TOTAL PROGRAM SERVICES</u>	<u>FUND RAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL SUPPORT SERVICES</u>	<u>2015 TOTALS</u>
\$ 1,886,324	\$ 54,137	\$ 57,167	\$ 111,304	\$ 1,997,628
316,881	17,933	9,344	27,277	344,158
152,549	5,616	5,683	11,299	163,848
2,355,754	77,686	72,194	149,880	2,505,634
515	25,005	88	25,093	25,608
19,575	-	5,690	5,690	25,265
-	-	-	-	-
9,636	18,315	2,063	20,378	30,014
2,340	-	64	64	2,404
78,645	50,455	-	50,455	129,100
25,683	-	857	857	26,540
6,877	63	1,811	1,874	8,751
630	142	-	142	772
12,493	11,253	1,119	12,372	24,865
44,523	34,092	5,720	39,812	84,335
269,329	9,619	21,643	31,262	300,591
10,065	-	-	-	10,065
107,076	-	25	25	107,101
14,323	180	192	372	14,695
26,602	-	-	-	26,602
19,793	4,191	1,284	5,475	25,268
648,105	153,315	40,556	193,871	841,976
3,003,859	231,001	112,750	343,751	3,347,610
162,269	5,661	20,755	26,416	188,685
<u>\$ 3,166,128</u>	<u>\$ 236,662</u>	<u>\$ 133,505</u>	<u>\$ 370,167</u>	<u>\$ 3,536,295</u>

The accompanying notes are an integral part of these financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	RESPIRE SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 913,109	\$ 329,872	\$ 118,338	\$ 366,669
Benefits	147,421	45,797	15,363	55,688
Payroll taxes	78,165	26,979	11,566	34,302
Total personnel expenses	1,138,695	402,648	145,267	456,659
Advertising	-	-	-	-
Bad Debts	(9,787)	(3,625)	(1,303)	(4,080)
Contract labor	-	-	-	-
Dues and subscriptions	3,238	2,448	404	1,253
Equipment expense	3,225	39	14	654
Inkind expense	74,480	1,500	7,250	9,015
Insurance	22,310	591	212	665
License, fees and taxes	3,307	1,132	361	1,163
Office expense	269	425	-	255
Other expenses	13,998	985	325	606
Professional fees	33,521	22,628	1,180	3,695
Properties	134,530	18,332	7,857	78,418
Rent	-	-	-	-
Repairs and maintenance	13,137	-	-	-
Supplies	27,985	2,814	3,948	46,655
Telephone	10,372	2,723	437	689
Transportation	33,917	26	9	720
Travel and Training	6,561	19,233	2,010	2,040
Total non-personnel expenses	371,063	69,251	22,704	141,748
Total expenses before depreciation	1,509,758	471,899	167,971	598,407
Depreciation expense	107,295	33,883	5,647	13,177
TOTAL EXPENSES	<u>\$ 1,617,053</u>	<u>\$ 505,782</u>	<u>\$ 173,618</u>	<u>\$ 611,584</u>

SUPPORTING SERVICES

<u>TOTAL PROGRAM SERVICES</u>	<u>FUND RAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL SUPPORT SERVICES</u>	<u>2014 TOTALS</u>
\$ 1,727,988	\$ 69,345	\$ 44,556	\$ 113,901	\$ 1,841,889
264,269	13,653	7,846	21,499	285,768
151,012	8,240	5,586	13,826	164,838
2,143,269	91,238	57,988	149,226	2,292,495
-	349	-	349	349
(18,795)	-	(5,796)	(5,796)	(24,591)
-	-	-	-	-
7,343	19,063	1,688	20,751	28,094
3,932	-	62	62	3,994
92,245	27,375	-	27,375	119,620
23,778	-	945	945	24,723
5,963	275	1,604	1,879	7,842
949	22	-	22	971
15,914	8,914	695	9,609	25,523
61,024	33,422	5,250	38,672	99,696
239,137	7,582	15,162	22,744	261,881
-	-	-	-	-
13,137	-	-	-	13,137
81,402	-	-	-	81,402
14,221	-	342	342	14,563
34,672	-	41	41	34,713
29,844	4,391	1,764	6,155	35,999
604,766	101,393	21,757	123,150	727,916
2,748,035	192,631	79,745	272,376	3,020,411
160,002	5,647	22,589	28,236	188,238
<u>\$ 2,908,037</u>	<u>\$ 198,278</u>	<u>\$ 102,334</u>	<u>\$ 300,612</u>	<u>\$ 3,208,649</u>

The accompanying notes are an integral part of these financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31,

	2015	2014
Cash flows from operating activities:		
Collections from consumers	\$ 1,977,820	\$ 1,755,674
Operating expenses paid	(3,219,105)	(2,992,263)
Interest received	4,307	4,413
Other income received	1,519,269	1,186,248
Net cash provided by (used in) operating activities	<u>282,291</u>	<u>(45,928)</u>
Cash flow from investing activities		
(Purchases) of buildings and equipment	(223,451)	(25,160)
(Increase) decrease in value of remainder trust	1,039	(687)
Sales of investments, net	15,637	17,055
Net cash (used in) investing activities	<u>(206,775)</u>	<u>(8,792)</u>
Cash flow from financing activities		
(Decrease) increase in due to foundation	(51,500)	51,500
Net cash (used in) provided by investing activities	<u>(51,500)</u>	<u>51,500</u>
Net Increase (Decrease) in cash and cash equivalents	24,016	(3,220)
Cash and cash equivalents, Beginning of year	<u>82,961</u>	<u>86,181</u>
Cash and cash equivalents, End of year	<u>\$ 106,977</u>	<u>\$ 82,961</u>
Reconciliation of Net Assets to net cash from Operating Activities:		
(Decrease) in Net Assets	\$ (1,018,548)	\$ (397,638)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	188,685	188,238
Bad debts	25,265	6,901
(Gain) on disposal of assets	(650)	-
Unrealized (gain)/loss on investments	9,416	(16,191)
Change in Value of Split Interest Agreements	(5,605)	(7,384)
Change in Net Assets of Foundation	1,038,336	305,541
(Increase) in assets:		
Accounts receivable	(1,306)	(48,486)
Prepaid expenses	(13,129)	(26,888)
Increase (decrease) in liabilities:		
Accounts payable	12,970	(23,346)
Other accrued expenses	11,854	(13,173)
Deferred revenue	36,043	(14,189)
Deferred revenue – pooled income	(1,040)	687
Net cash provided by (used in) operating activities	<u>\$ 282,291</u>	<u>\$ (45,928)</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Easter Seals Southwest Florida, Inc., (the Organization) is a not-for-profit Organization located in Manatee and Sarasota counties. The Organization creates solutions that change lives for children, adults and families through high quality therapeutic, educational and support services. The Organization offers various programs in achieving its mission, including: day and employment services, community living, early child development, rehabilitation, and Community Services. The Organization is primarily supported through program revenue and contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash and cash equivalents. Cash and money market funds held with investment accounts are not considered a cash equivalent. The Organization had restricted cash in the amount of \$52,816 at August 31, 2015. Cash is restricted based on purpose or time restrictions from donors

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

The Organization reports its investments at fair market value in accordance with generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Activities, and reported as unrestricted, temporarily restricted or permanently restricted depending on the nature of specified restrictions or lack thereof.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable includes both accounts and contracts receivable. Accounts receivable consists of billings to individuals, state agencies, insurance companies, and other third parties. Contracts receivable consists of billings based on contracts with various agencies and organizations to provide rehabilitative, development and child care services. Accounts receivable are recorded at the net realizable value at year end. The Organization uses the allowance method to account for uncollectible receivables. The allowance is estimated based on historical experience and currently known facts and circumstances of specific accounts. An allowance for doubtful accounts has been established for accounts receivable at August 31, 2015 and 2014 in the amount of \$40,000.

Bequests Receivable

Bequests are recorded at the date the Organization receives irrevocable notice of its interest in an estate and after the probate court declares a will to be valid. Bequests are recognized as a contribution and a receivable at the fair value interest in the estate.

Remainder Trust Receivable

The Organization has been named the remainderman in various irrevocable charitable remainder trusts. The Organization records a receivable in the amount of the expected benefit upon receiving notification of a legally enforceable benefit. The Organization's beneficial interest in the trust's assets is measured at the present value of the estimated distributions that are expected to be received in the future, which may also be estimated using the fair value of the Organization's interest in the remainder trust's assets at year end. The discount rate utilized to measure the present value of future distributions is based upon the stated rate of return to be received by the designated life income beneficiaries included in the trust's terms.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost if purchased, and estimated fair value if donated. The Organization's capitalization policy is to capitalize all items of \$500 or more with an estimated useful life of more than one year. Buildings and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 4 to 40 years. Depreciation expense for the years ended August 31, 2015 and 2014 was \$188,685 and \$188,238, respectively. Repair and maintenance costs are expensed as incurred and the Organization is not currently planning any major maintenance activities.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$25,608 in 2015 and \$349 in 2014.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases that classification of net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. All contributions received with donor imposed restrictions, which expire within the same fiscal year, are classified as increases in unrestricted net assets.

Program Revenue

Program revenue includes those revenue items earned from providing services to clients in the ordinary course of business by the Organization. Those revenues are recognized at the time of service and recorded at the amount the Organization expects to collect.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements. The Organization adopted guidance issued by the FASB on accounting for uncertainty in tax positions. The adoption of this guidance had no effect on the Organization's financial position. Management believes the Organization has no material unrecognized income tax liabilities, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state, or local tax audits; however, the Organization's tax returns for the three previous fiscal years remain open to examination.

Donated Assets and Services

Donated assets are recorded at their estimated fair market value at the date of donation. Donated assets and services in the amount of \$129,100 and \$119,620 have been recognized as a revenue and an expense during the years ended August 31, 2015 and 2014, respectively. The donated services were performed by teachers, which were provided by Sarasota and Manatee Counties at no cost to the Organization. The donated assets include goods, such as food, and services received in conjunction with programs and special events.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets and Services – Continued

In addition, a substantial number of volunteers have donated their time to assist the Organization with its program services and fundraising campaigns. These services have not been recorded in the financial statements since an objective basis is not available to measure the value of such services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Fair Value Measurements

FASB ASC Topic 820, Fair value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.)

The three levels of the fair value hierarchy used to measure fair value are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE B – INVESTMENTS

Investments were as follows:

<u>AUGUST 31, 2015</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
Temporarily restricted funds	\$ 27,694	\$ 28,810	\$ 1,116
Permanently restricted funds	129,735	135,721	5,986
Total	\$ 157,429	\$ 164,531	\$ 7,102

<u>AUGUST 31, 2014</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
Temporarily restricted funds	\$ 28,004	\$ 31,294	\$ 3,290
Permanently restricted funds	143,048	158,290	15,242
Total	\$ 171,052	\$ 189,584	\$ 18,532

Investments consist of the following at August 31,:

	<u>2015 FAIR MARKET VALUE</u>	<u>2014 FAIR MARKET VALUE</u>
Money market funds	\$ 3,352	\$ 7,090
Mutual funds:		
Corporate bond funds	98,472	99,383
Stock funds	54,278	72,966
Commodities	2,952	4,283
Real estate	5,477	5,862
Total	\$ 164,531	\$ 189,584

Investment income (loss) is comprised of the following amounts at August 31,:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 4,307	\$ 4,413
Realized gains (losses) on investments	-0-	-0-
Unrealized gains (losses) on investments	(9,416)	16,191
Total	\$ (5,109)	\$ 20,604

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE B – INVESTMENTS – CONTINUED

Fair Value Measurements

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at August 31, 2015 and 2014 are as follows:

	2015			
	Level 1	Level 2	Level 3	Totals
Short-term Money Market	\$ -0-	\$ 3,352	\$ -0-	\$ 3,352
Equities				
Large Cap	31,222	-0-	-0-	31,222
Mid Cap	5,196	-0-	-0-	5,196
Small Cap	609	-0-	-0-	609
International	-0-	17,251	-0-	17,251
Commodities	-0-	2,952	-0-	2,952
Real Estate Funds	-0-	5,477	-0-	5,477
Fixed Income				
Corporate/Government	-0-	98,472	-0-	98,472
Interest in net assets of Foundation	-0-	-0-	5,717,054	5,717,054
Interest in Remainder Trusts	-0-	-0-	252,121	252,121
Totals	<u>\$ 37,027</u>	<u>\$ 127,504</u>	<u>\$ 5,969,175</u>	<u>\$ 6,133,706</u>

	2014			
	Level 1	Level 2	Level 3	Totals
Short-term Money Market	\$ -0-	\$ 7,090	\$ -0-	\$ 7,090
Equities				
Large Cap	33,627	-0-	-0-	33,627
Mid Cap	3,087	-0-	-0-	3,087
Small Cap	998	-0-	-0-	998
International	-0-	35,254	-0-	35,254
Commodities	4,283	-0-	-0-	4,283
Real Estate Funds	-0-	5,862	-0-	5,862
Fixed Income				
Corporate/Government	-0-	99,383	-0-	99,383
Interest in net assets of Foundation	-0-	-0-	6,755,390	6,755,390
Interest in Remainder Trusts	-0-	-0-	247,555	247,555
Totals	<u>\$ 41,995</u>	<u>\$ 147,589</u>	<u>\$ 7,002,945</u>	<u>\$ 7,192,529</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2015 and 2014.

Short-term money market funds:

The Money market funds are valued at amortized cost, which approximates fair market value. Money market funds seek to preserve net asset value (NAV) of \$1.00 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE B – INVESTMENTS – CONTINUED

Equities and Commodities:

Equities and commodities are valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income:

Fixed income funds are valued at the closing price reported in the active market in which the bonds are traded. Other fixed income/bond funds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual and real estate funds:

Mutual and real estate funds are valued at net asset value (NAV) of shares held at year end. The mutual funds may also be valued as determined by an independent pricing service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity, and type; indications as to values from dealers; and general market conditions.

Interest in net assets of the Foundation:

Interest in net assets of the Foundation is measured at the fair value of the Organization's interest in the net assets of the Foundation at year end. The Foundation holds short-term money market funds, equity securities, and equity and fixed income traded funds. The Foundation also has beneficial interests in perpetual trusts, which are recorded at the fair value of the underlying investments of the trusts multiplied by the Foundation's interest in the trusts.

Interest in the remainder trusts:

The interest in the remainder trusts are measured at the fair value of the Organization's beneficial interest in the trust's assets as determined by the present value of the estimated distributions that are expected to be received in the future, which also estimates the fair value of the Organization's interest in the remainder trust's assets at year end. The Organization calculates its interest by considering the age of the remainder-man and using a discount rate for expected future distributions multiplied by fair value of the assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE B – INVESTMENTS – CONTINUED

The following tables set forth a summary of the changes in fair value of the assets classified as Level 3 on a recurring basis:

<u>Interest in Net Assets of Foundation</u>	<u>8/31/15</u>	<u>8/31/14</u>
Beginning Balance	\$ 6,755,390	\$ 7,060,931
Change in value of interest in net assets of Foundation	(1,038,336)	(305,541)
Ending Balance	<u>\$ 5,717,054</u>	<u>\$ 6,755,390</u>
 <u>Interest in Remainder Trusts</u>	 <u>8/31/15</u>	 <u>8/31/14</u>
Beginning Balance	\$ 247,555	\$ 239,484
Distributions received	-0-	-0-
Change in value of interest in remainder Trusts	4,566	8,071
Ending Balance	<u>\$ 252,121</u>	<u>\$ 247,555</u>

NOTE C – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at August 31, 2015 and 2014:

	<u>2015</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	256,679	194,397	62,282
Buildings and improvements	2,763,965	2,165,602	598,363
Vehicles	532,061	333,152	198,909
Furniture, fixtures and equipment	388,380	340,203	48,177
Total	<u>\$ 4,379,756</u>	<u>\$ 3,033,354</u>	<u>\$ 1,346,402</u>
	 <u>2014</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	248,794	183,962	64,832
Buildings and improvements	2,718,449	2,043,889	674,560
Vehicles	383,751	313,173	70,578
Furniture, fixtures and equipment	423,558	361,213	62,345
Total	<u>\$ 4,213,223</u>	<u>\$ 2,902,237</u>	<u>\$ 1,310,986</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available consist of the following at August 31,:

	<u>2015</u>	<u>2014</u>
Charitable remainder trusts	\$ 252,121	\$ 247,555
Grants restricted by donors	103,047	85,227
Pooled income fund	<u>19,389</u>	<u>18,350</u>
Total	<u>\$ 374,557</u>	<u>\$ 351,132</u>

NOTE E – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include of an endowment fund held by Northern Trust, in the amount of \$135,721 from which the income is available for use to support the Organization, at the discretion of the trustees, as well as the Organization's interest in net assets of the Foundation of \$5,717,054. Permanently restricted net assets in the amount of \$22,569, which amounted to distributions in excess of earnings, were released from restrictions during fiscal year 2015.

NOTE F – ENDOWMENT

The Organization has one donor restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment is considered permanently restricted based on donor imposed restrictions on the principal balance. Income from the endowment is distributed and used in accordance with the endowment document. Investment income is appropriated for distribution pursuant to the document and as such, is included as part of the change in unrestricted net assets, unless required to be retained as part of the permanently restricted net assets.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Distributions of principal in excess of earnings are allowed pursuant to the document. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, net of any distributions in excess of earnings.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE F – ENDOWMENT – CONTINUED

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the Organization

Investment Policies

The Organization's overall investment policy covers the endowment fund. The Organization manages contributions in a manner that will maximize the benefit intended by the donor, produce income to support the work of the Organization, and achieve growth of principal value sufficient to increase the purchasing power of the assets over time. Secondly, the objective is to maintain a sufficient degree of flexibility to meet the changing environment.

Assets are diversified to insure that adverse results from any one security or securities will not have a detrimental impact on the entire portfolio. Asset allocation is an important tool to achieve desired results. The decision on how to allocate assets is based on the needs and circumstances during any period of time.

The following risk parameters are in place:

	<u>Percent of Total Fund</u>		
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and cash equivalents	5%	5%	10%
Equities	30%	55%	75%
Fixed Income	25%	30%	70%
Alternatives (e.g. hedging, managed futures, private equity)	5%	10%	15%

In addition, no more than 10% may be concentrated in equities or a fixed income strategy of a single company or 15% in the same industry. Investments in any one company may not exceed 5% of its common shares outstanding. All fixed income issues shall be investment grade or better as rated by S&P or Moodys.

Strategies, Objectives and Spending Policies

All of the investment objectives and strategies are in place to achieve the Organization's mission. Distributions are in accordance with the endowment document and considers both the short and long-term expected returns of the endowment fund. Overall, the Board's policy is to protect and preserve the assets and appropriate amounts necessary and allowable in accordance with the terms of the endowment document.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE F – ENDOWMENT – CONTINUED

The Board appropriates spending through the budget process. The investment policy contemplates a distribution of approximately 10% of the average asset market values for the most recent three fiscal years.

For the years ended August 31, 2015 and 2014, the Organization had the following endowment-related activities, (all of which are permanently restricted):

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 158,290	\$ 161,636
Investment return		
Investment income	3,627	3,782
Net (depreciation) appreciation of value	(6,911)	13,697
Appropriated for expenditure	(19,285)	(20,825)
Ending Balance	<u>\$ 135,721</u>	<u>\$ 158,290</u>

NOTE G – RETIREMENT PLAN

Effective January 1, 2003, the Organization instituted a deferred variable annuity plan under Section 403(b) of the Internal Revenue Code. Under provisions of the plan, employees may defer a portion of their salaries up to a maximum amount as allowed under the Internal Revenue Code. The Organization may make a discretionary matching contribution as determined by the Board of Directors. On January 1, 2013 the discretionary matching contribution was suspended. On March 1, 2015 the discretionary matching contribution was reinstated. Matching contributions totaled \$4,741 and \$124 for 2015 and 2014, respectively.

NOTE H – RELATED PARTY TRANSACTIONS

The Easter Seals Southwest Florida Foundation, Inc. (Foundation) was organized in 1995 for the purpose of supporting the Organization. An independent Board of Trustees directs the Foundation.

During the fiscal year ended August 31, 2015, the Organization received support from the Foundation in the amount of \$766,871. This amount represented contributions of \$608,961 for operations, development, and capital, as well as, \$102,210 for wages, \$26,080 for benefits, \$2,000 for supplies, \$27,000 for software fees, and \$620 for board expenses.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE H – RELATED PARTY TRANSACTIONS – CONTINUED

During the fiscal year ended August 31, 2014, the Organization received support from the Foundation in the amount of \$1,233,620. This amount represented contributions of \$990,334 for operations, development, and capital, as well as \$67,295 for marketing, \$118,790 for wages, \$23,960 for benefits, \$4,236 for supplies, \$27,000 for software fees, and \$2,004 for board expenses.

The offices of the Foundation are located in the building, which is owned and occupied by the Organization. The value of the office space is immaterial to these financial statements.

The Organization, a beneficiary of permanent transfers made to the Foundation, has reported an asset for its interest in the net assets of the Foundation in accordance with accounting principles generally accepted in the U.S. Basically, if the specified beneficiary is financially interrelated to the recipient organization, the beneficiary must recognize its interest in the net assets of the recipient organization. The Organization is financially interrelated to the Foundation and therefore, is required to report its beneficial interest in the net assets of the Foundation. At August 31, 2015 and 2014, the Organization's interest in the net assets of the Foundation was \$5,717,054 and \$6,755,390, respectively. The Organization's change in interest in the net assets of the Foundation has been recorded as a change to permanently restricted net assets in the Statement of Activities for the years ended August 31:

	<u>2015</u>	<u>2014</u>
Adjustment for change in interest In net assets of Foundation	<u>\$ (1,038,336)</u>	<u>\$ (305,541)</u>

The Foundation has approved a \$500,000 line-of-credit to the Organization to cover operating costs. The line does not contemplate interest and must be paid to a \$-0- balance at least once during each year. There was a balance of \$0 and \$51,500 outstanding on the line-of-credit at August 31, 2015 and 2014, respectively.

NOTE I – CONCENTRATION OF CREDIT AND OTHER RISKS

Financial instruments that potentially subject the Organization to credit risk consists of cash and cash equivalents and investments.

The Organization maintains numerous bank accounts at one institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time throughout the year, amounts may exceed FDIC limits. No amounts were in excess of the FDIC limit at August 31, 2015.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE I - CONCENTRATION OF CREDIT AND OTHER RISKS - CONTINUED

The Organization holds various investments in securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2015 the date on which the financial statements were available to be issued.